

**REPORT OF THE AUDIT OF THE
ANDERSON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2015**



**MIKE HARMON
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EXECUTIVE SUMMARY
AUDIT OF THE
ANDERSON COUNTY FISCAL COURT

June 30, 2015

The Auditor of Public Accounts has completed the audit of the Anderson County Fiscal Court for fiscal year ended June 30, 2015.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Anderson County Fiscal Court.

Financial Condition:

The Anderson County Fiscal Court had total receipts of \$8,067,209 and disbursements of \$8,162,599 in fiscal year 2015. This resulted in a total ending fund balance of \$2,443,482, which is a decrease of \$95,390 from the prior year.

Report Comments:

2015-001	The Fiscal Court Does Not Have Adequate Segregation Of Duties Over Payroll
2015-002	The Fiscal Court Does Not Have Adequate Segregation Of Duties Over Disbursements
2015-003	The County Does Not Have Sufficient Controls Over Credit Card Purchases
2015-004	The Fiscal Court Did Not Maintain A Complete And Accurate Capital Asset Listing
2015-005	County Funds Were Not Deposited Daily
2015-006	Duties Are Not Adequately Segregated Over Receipts And Reconciliations
2015-007	Receipts And Disbursements Were Not Posted Correctly

Deposits:

The fiscal court deposits were insured and collateralized by bank securities.

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable Orbrey Gritton, Anderson County Judge/Executive
Members of the Anderson County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Anderson County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Anderson County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described more fully in Note 1 of the financial statement, the financial statement is prepared by Anderson County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Anderson County Fiscal Court as of June 30, 2015, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Anderson County Fiscal Court as of June 30, 2015, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Anderson County Fiscal Court. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying budgetary comparison schedules and capital asset schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and capital asset schedule are fairly stated in all material respects in relation to the basic financial statement.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 09, 2016 on our consideration of Anderson County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Anderson County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

- 2015-001 The Fiscal Court Does Not Have Adequate Segregation Of Duties Over Payroll
- 2015-002 The Fiscal Court Does Not Have Adequate Segregation Of Duties Over Disbursements
- 2015-003 The County Does Not Have Sufficient Controls Over Credit Card Purchases
- 2015-004 The Fiscal Court Did Not Maintain A Complete And Accurate Capital Asset Listing
- 2015-005 County Funds Were Not Deposited Daily
- 2015-006 Duties Are Not Adequately Segregated Over Receipts And Reconciliations
- 2015-007 Receipts And Disbursements Were Not Posted Correctly

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a stylized flourish at the end.

Mike Harmon
Auditor of Public Accounts

February 09, 2016

ANDERSON COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

Orbrey Gritton	County Judge/Executive
Rodney Durr	Magistrate
Mike Riley	Magistrate
Juretta Wells	Magistrate
Meredith Lewis	Magistrate
David Montgomery	Magistrate
Kenny Barnett	Magistrate

Other Elected Officials:

Bobbi Jo Lewis	County Attorney
Joani Clark	Jailer
Jason Denny	County Clerk
Pam Robinson	Circuit Court Clerk
Troy Young	Sheriff
Brian Stivers	Property Valuation Administrator
Mark Tussey	Coroner

Appointed Personnel:

W. Dudley Shryock	County Treasurer
Jennifer Schmidt	Chief Financial Officer
Charlie Cammack	Deputy Judge/Executive

ANDERSON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2015

ANDERSON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2015

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 2,170,292	\$	\$
Excess Fees	22,745		
Licenses and Permits	59,375		
Intergovernmental	230,718	1,433,010	96,328
Charges for Services	223,830		
Miscellaneous	375,904	80,977	
Interest	119		
Total Receipts	<u>3,082,983</u>	<u>1,513,987</u>	<u>96,328</u>
DISBURSEMENTS			
General Government	1,210,123		
Protection to Persons and Property	61,464		811,910
General Health and Sanitation	426,555		
Social Services	53,000		
Recreation and Culture	4,500		
Roads		1,027,148	
Other Transportation Facilities and Services			
Debt Service	87,252		
Capital Projects		73,238	
Administration	<u>1,792,578</u>		
Total Disbursements	<u>3,635,472</u>	<u>1,100,386</u>	<u>811,910</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(552,489)</u>	<u>413,601</u>	<u>(715,582)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	150,000		714,612
Transfers To Other Funds			
Total Other Adjustments to Cash (Uses)	<u>150,000</u>		<u>714,612</u>
Net Change in Fund Balance	(402,489)	413,601	(970)
Fund Balance - Beginning	501,289	623,976	2,340
Fund Balance - Ending	<u>\$ 98,800</u>	<u>\$ 1,037,577</u>	<u>\$ 1,370</u>
Composition of Fund Balance			
Bank Balance	\$ (926,059)	\$ 1,037,577	\$ 1,370
Plus: Deposits In Transit	1,068,924		
Less: Outstanding Checks	(44,065)		
Certificates of Deposit			
Fund Balance - Ending	<u>\$ 98,800</u>	<u>\$ 1,037,577</u>	<u>\$ 1,370</u>

The accompanying notes are an integral part of the financial statement.

ANDERSON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

Budgeted Funds						
Local Government Economic Assistance Fund	AEMS Fund	Park Fund	Capital Outlay Fund	Courthouse Repair Fund	Emergency 911 Cellular Fund	Emergency 911 Landline Fund
\$	\$	\$	\$ 1,110,420	\$	\$	\$ 102,748
94,178	10,000			45,910	148,353	
	1,492,731	74,776				
	47,448	30,406				
40,000			1,088			
134,178	1,550,179	105,182	1,111,508	45,910	148,353	102,748
			186	183,279		
	1,570,498			1,729	125,735	141,265
		277,394				
73,594	56,786	77,314				
73,594	1,627,284	354,708	186	185,008	125,735	141,265
60,584	(77,105)	(249,526)	1,111,322	(139,098)	22,618	(38,517)
		251,779		137,873		
			(1,254,264)			
		251,779	(1,254,264)	137,873		
60,584	(77,105)	2,253	(142,942)	(1,225)	22,618	(38,517)
196,682	96,969	3,607	477,275	9,745	174,788	225,439
\$ 257,266	\$ 19,864	\$ 5,860	\$ 334,333	\$ 8,520	\$ 197,406	\$ 186,922
\$ 257,266	\$ 19,864	\$ 5,860	\$ 1,388,597	\$ 8,520	\$ 197,406	\$ 186,922
			(1,054,264)			
\$ 257,266	\$ 19,864	\$ 5,860	\$ 334,333	\$ 8,520	\$ 197,406	\$ 186,922

The accompanying notes are an integral part of the financial statement.

ANDERSON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

	Budgeted Funds		Unbudgeted Funds		
	Tourism Fund	Swimming Pool Fund	Park Land Acquisition Company Incorporated Fund	Administrative Office of the Courts Escrow Fund	Total Funds
RECEIPTS					
Taxes	\$ 29,635	\$	\$	\$	\$ 3,413,095
Excess Fees					22,745
Licenses and Permits		65,025			124,400
Intergovernmental				81,132	2,139,629
Charges for Services					1,791,337
Miscellaneous					534,735
Interest			61		41,268
Total Receipts	<u>29,635</u>	<u>65,025</u>	<u>61</u>	<u>81,132</u>	<u>8,067,209</u>
DISBURSEMENTS					
General Government					1,393,588
Protection to Persons and Property					2,710,872
General Health and Sanitation					428,284
Social Services					53,000
Recreation and Culture	26,512				308,406
Roads					1,027,148
Other Transportation Facilities and Services					73,594
Debt Service				80,539	301,891
Capital Projects					73,238
Administration					1,792,578
Total Disbursements	<u>26,512</u>			<u>80,539</u>	<u>8,162,599</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>3,123</u>	<u>65,025</u>	<u>61</u>	<u>593</u>	<u>(95,390)</u>
Other Adjustments to Cash (Uses)					
Transfers From Other Funds					1,254,264
Transfers To Other Funds					(1,254,264)
Total Other Adjustments to Cash (Uses)					
Net Change in Fund Balance	3,123	65,025	61	593	(95,390)
Fund Balance - Beginning	88,641	39,806	48,058	50,257	2,538,872
Fund Balance - Ending	<u>\$ 91,764</u>	<u>\$ 104,831</u>	<u>\$ 48,119</u>	<u>\$ 50,850</u>	<u>\$ 2,443,482</u>
Composition of Fund Balance					
Bank Balance	\$ 91,764	\$ 104,831	\$ 9,392	\$ 50,850	\$ 2,434,160
Plus: Deposits In Transit					1,068,924
Less: Outstanding Checks					(1,098,329)
Certificates of Deposit			38,727		38,727
Ending Fund Balance	<u>\$ 91,764</u>	<u>\$ 104,831</u>	<u>\$ 48,119</u>	<u>\$ 50,850</u>	<u>\$ 2,443,482</u>

The accompanying notes are an integral part of the financial statement.

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ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Anderson County includes all budgeted and unbudgeted funds under the control of the Anderson County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

**ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Anderson Emergency Medical Services Fund (AEMS) - The primary purpose of this fund is to account for the emergency medical response system of the county. The primary source of receipts for this fund is AEMS collections.

Park Fund - The primary purpose of this fund is to account for park receipts and disbursements. The primary sources of receipts for this fund are transfers from the Capital Outlay Fund and charges to the public for participation in county/city sports leagues.

Capital Outlay Fund - The primary purpose of this fund is to help maintain other funds. The main source of receipts for this fund is insurance premium tax. The majority of this fund's money is transferred to other funds to operate their budgets.

Courthouse Repair Fund - The primary purpose of this fund is to maintain the courthouse. The primary sources of receipts for this fund are transfers from the Capital Outlay Fund and court fines and filing fees.

Emergency 911 Cellular Fund - The purpose of this fund is to account for wireless 911 cellular receipts and disbursements. The sole source of revenue for this fund is E-911 cellular receipts.

Emergency 911 Landline Fund - The purpose of this fund is to account for Emergency 911 receipts and disbursements. The sole source of receipts for this fund is a telephone tax.

Tourism Fund - The purpose of this fund is to account for tourism related expenses. The main source of receipts is a transient room tax.

Swimming Pool Fund - The purpose of this fund is to allocate funds to acquire a public swimming pool. The sole source of receipts is business license fees.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Park Land Acquisition Company Incorporated Fund - The Anderson County Park Land Acquisition Company was established for the purpose of acquiring and developing land for an Anderson County Park.

Administrative Office of the Courts Escrow Fund - The purpose of this fund is to account for debt service for a courthouse annex. The sole source of receipts is the Administrative Office of the Courts.

**ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Park Land Acquisition Fund or Administrative Office of the Courts Escrow Fund to be budgeted.

E. Anderson County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Anderson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Anderson County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2015.

	Capital Outlay Fund	Total Transfers In
General Fund	\$ 150,000	\$ 150,000
Jail Fund	714,612	714,612
Park Fund	251,779	251,779
Courthouse Repair Fund	137,873	137,873
Total Transfers Out	<u>\$ 1,254,264</u>	<u>\$ 1,254,264</u>

Reason for transfers:

To move resources from and to the Capital Outlay Fund, for budgetary purposes, to the funds that will expend them.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 4. Long-term Debt

A. Courthouse Annex

Anderson County entered into a \$1,448,000 lease agreement on June 24, 1997, with the Kentucky Association of Counties Leasing Trust for the construction of a courthouse annex. The agreement requires monthly interest payments and an annual principal payment due each January 20. The effective interest rate is five percent, and the agreement is to be paid in full by January 20, 2017. The following schedule indicates principal and interest payments according to the original lease agreement. The outstanding principal balance was \$233,000 as of June 30, 2015. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$ 114,000	\$ 5,404
2017	119,000	2,351
Totals	<u>\$ 233,000</u>	<u>\$ 7,755</u>

B. Anderson County Park Project

Anderson County entered into a \$950,000 lease agreement on June 18, 2001, with the Kentucky Association of Counties Leasing Trust for the completion of the Anderson County Park Project. The agreement requires monthly interest payments and an annual principal payment due each January 20th. The effective interest rate is 4.70 percent, and the agreement is to be paid in full by January 20, 2021. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$375,000 as of June 30, 2015. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$ 55,000	\$ 16,548
2017	60,000	13,864
2018	60,000	11,045
2019	65,000	8,127
2020	65,000	5,072
2021	<u>70,000</u>	<u>1,919</u>
Totals	<u>\$ 375,000</u>	<u>\$ 56,575</u>

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 4. Long-term Debt (Continued)

C. Park Land

Anderson County entered into a \$499,000 lease agreement on January 9, 2004, with the Kentucky Association of Counties Leasing Trust to purchase park land. The agreement requires monthly principal and interest payments. The lease agreement is subject to an adjustable interest rate with a base rate of 4.138 percent, and the agreement is to be paid in full by January 20, 2024. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$44,439 as June 30, 2015. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$ 33,171	\$ 892
2017	11,268	86
Totals	<u>\$ 44,439</u>	<u>\$ 978</u>

D. Sheriff's Building

Anderson County entered into a \$310,000 lease agreement on June 16, 2011, with Kentucky Association of Counties Leasing Trust to purchase the former health department building to use as the Sheriff's Office. The agreement required monthly interest payments and a lump-sum final payment. The effective interest rate was variable and the agreement was to be paid in full by June 20, 2012. Anderson County refinanced this lease agreement with a second agreement for \$325,000 on October 19, 2011, also with Kentucky Association of Counties Leasing Trust. This agreement requires monthly principal and interest payments. The effective interest rate is 4.57 percent, and the agreement is to be paid in full by January 1, 2026. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$250,000 as of June 30, 2015. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$ 18,334	\$ 8,273
2017	20,000	8,094
2018	20,000	7,494
2019	22,083	6,894
2020	25,000	6,231
2021-2025	127,083	18,367
2026	17,500	700
Totals	<u>\$ 250,000</u>	<u>\$ 56,053</u>

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 4. Long-term Debt (Continued)

E. Ambulance

Anderson County entered into an \$112,888 lease agreement on November 7, 2012, with Kentucky Association of Counties Leasing Trust to purchase an ambulance. The agreement requires monthly interest and principal payments. The effective interest rate is 3.205 percent, and the agreement is to be paid in full by November 20, 2015. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$16,194 as of June 30, 2015. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$ 16,194	\$ 130
Totals	<u>\$ 16,194</u>	<u>\$ 130</u>

F. Sheriff's Vehicles

Anderson County entered into a \$184,254 lease agreement on February 20, 2014, with Kentucky Association of Counties Leasing Trust to purchase vehicles for the Sheriff's office. The agreement requires monthly principal and interest payments. The effective interest rate is 3.34 percent, and the agreement is to be paid in full by February 20, 2020. The outstanding principal balance was \$145,814 as of June 30, 2015. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$ 29,807	\$ 4,420
2017	30,574	3,412
2018	31,361	2,378
2019	32,168	1,317
2020	<u>21,904</u>	<u>275</u>
Totals	<u>\$ 145,814</u>	<u>\$ 11,802</u>

G. County Clerk's Building

Anderson County entered into a \$320,000 lease agreement on April 3, 2014, with Kentucky Association of Counties Leasing Trust to acquire a building for the County Clerk's Office. This agreement requires monthly principal and interest payments. The effective interest rate is 4.263 percent, and the agreement is to be paid in full by December 20, 2033. The outstanding principal balance was \$300,000 as of June 30, 2015. Future principal and interest requirements are:

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 4. Long-term Debt (Continued)

G. County Clerk's Building (Continued)

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$ 10,000	\$ 10,650
2017	12,500	10,350
2018	15,000	9,975
2019	15,000	9,525
2020	15,000	9,075
2021-2025	75,000	38,625
2026-2030	87,500	25,100
2031-2034	<u>70,000</u>	<u>6,400</u>
Totals	<u>\$ 300,000</u>	<u>\$ 119,700</u>

H. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Financing Obligations	\$ 1,715,593		\$ 351,146	\$ 1,364,447	\$ 276,506
Total Long-term Debt	<u>\$ 1,715,593</u>	<u>\$ 0</u>	<u>\$ 351,146</u>	<u>\$ 1,364,447</u>	<u>\$ 276,506</u>

Note 5. Employee Retirement System

A. Plan Description

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous and hazardous duty positions in the county. The Plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.67 percent.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Employee Retirement System (Continued)

A. Plan Description (Continued)

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 34.31 percent.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute five percent (nonhazardous) and eight percent (hazardous) of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (nonhazardous) and seven and one-half percent (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2013 was \$639,560, FY 2014 was \$636,426 and FY 2015 was \$622,005.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Employee Retirement System (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Kentucky Retirement Systems issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

B. Net Pension Liability

As promulgated by GASB Statement No. 68 the total pension liability for CERS was determined by an actuarial valuation as of June 30, 2014. The total net pension liability for employers participating in CERS was determined by an actuarial valuation as of June 30, 2014, measured as of the same date and is as follows: non-hazardous \$3,244,377,000 and hazardous \$1,201,825,000, for a total net pension liability of \$4,446,202,000 as of June 30, 2014. Based on these requirements, Anderson County's proportionate share of the net pension liability as of June 30, 2015 is:

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Hazardous	\$ 1,592,000	\$ 1,425,000
Non-Hazardous	3,599,000	3,181,000
Totals	<u>\$ 5,191,000</u>	<u>\$ 4,606,000</u>

The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at www.kyret.ky.gov or can be obtained as described in the paragraph above.

Note 6. Deferred Compensation

On February 24, 2000, the Anderson County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Deferred Compensation (Continued)

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 7. Health Reimbursement Account/Flexible Spending Account

The Anderson Fiscal Court established a flexible spending account on June 29, 2009 to provide employees an additional health benefit. The County has contracted with Febco. Inc., a third-party administrator, to administer the plan. The plan provides a debit card to each eligible employee providing various amounts based on the health insurance the employee has, each year to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction.

Note 8. Insurance

For the fiscal year ended June 30, 2015, Anderson County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Related Party Transactions

For fiscal year end June 30, 2015, Anderson County officials disclosed the following related party transactions:

- A wife of a magistrate owns a cleaning service that Anderson County spent \$41,870 with during the fiscal year.
- The treasurer received a rent/office allowance of \$7,187 from Anderson County Fiscal Court.
- A magistrate works at a hardware store where the County spent \$1,979 during the fiscal year.
- A magistrate works at an agriculture retail store where the County spent \$2,141 during the fiscal year.
- The insurance company that writes bonds for the county was paid \$708 and is owned by the finance officer's father.
- The Judge/Executive's daughter works at a hardware store where the county spent \$1,019 during fiscal year 2015.

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,999,000	\$ 1,999,000	\$ 2,170,292	\$ 171,292
Excess Fees			22,745	22,745
Licenses and Permits	43,500	43,500	59,375	15,875
Intergovernmental	153,690	189,790	230,718	40,928
Charges for Services	207,000	207,000	223,830	16,830
Miscellaneous	315,500	317,368	375,904	58,536
Interest	100	100	119	19
Total Receipts	<u>2,718,790</u>	<u>2,756,758</u>	<u>3,082,983</u>	<u>326,225</u>
DISBURSEMENTS				
General Government	948,699	913,440	1,210,123	(296,683)
Protection to Persons and Property	32,523	64,468	61,464	3,004
General Health and Sanitation	393,824	441,362	426,555	14,807
Social Services	53,500	53,500	53,000	500
Recreation and Culture	4,500	4,500	4,500	
Debt Service	81,865	87,252	87,252	
Administration	<u>1,683,080</u>	<u>1,821,437</u>	<u>1,792,578</u>	<u>28,859</u>
Total Disbursements	<u>3,197,991</u>	<u>3,385,959</u>	<u>3,635,472</u>	<u>(249,513)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(479,201)</u>	<u>(629,201)</u>	<u>(552,489)</u>	<u>76,712</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		150,000	150,000	
Total Other Adjustments to Cash (Uses)		<u>150,000</u>	<u>150,000</u>	
Net Change in Fund Balance	(479,201)	(479,201)	(402,489)	76,712
Fund Balance Beginning	<u>479,201</u>	<u>479,201</u>	<u>501,289</u>	<u>22,088</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 98,800</u>	<u>\$ 98,800</u>

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

ROAD FUND			
	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	
RECEIPTS			
Intergovernmental	\$ 1,101,028	\$ 1,101,028	\$ 1,433,010
Miscellaneous			80,977
Total Receipts	<u>1,101,028</u>	<u>1,101,028</u>	<u>1,513,987</u>
DISBURSEMENTS			
Roads	975,160	1,027,790	1,027,148
Capital Projects	125,868	73,238	73,238
Total Disbursements	<u>1,101,028</u>	<u>1,101,028</u>	<u>1,100,386</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			413,601
Net Change in Fund Balance			413,601
Fund Balance Beginning			623,976
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,037,577</u>

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 23,500	\$ 96,184	\$ 96,328	\$ 144
Total Receipts	23,500	96,184	96,328	144
DISBURSEMENTS				
Protection to Persons and Property	724,735	811,910	811,910	
Total Disbursements	724,735	811,910	811,910	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(701,235)	(715,726)	(715,582)	144
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	701,235	714,612	714,612	
Total Other Adjustments to Cash (Uses)	701,235	714,612	714,612	
Net Change in Fund Balance		(1,114)	(970)	144
Fund Balance Beginning		1,114	2,340	1,226
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,370	\$ 1,370

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 35,000	\$ 35,000	\$ 94,178	\$ 59,178
Interest	40,000	40,000	40,000	
Total Receipts	75,000	75,000	134,178	59,178
DISBURSEMENTS				
Protection to Persons and Property	2,389	2,389		2,389
Roads	3,521	3,521		3,521
Other Transportation Facilities and Services	69,090	69,090	73,594	(4,504)
Total Disbursements	75,000	75,000	73,594	1,406
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			60,584	60,584
Net Change in Fund Balance			60,584	60,584
Fund Balance Beginning			196,682	196,682
Fund Balance - Ending	\$ 0	\$ 0	\$ 257,266	\$ 257,266

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

AEMS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ -	\$ 10,000	\$ 10,000	\$
Charges for Services	1,200,000	1,369,755	1,492,731	122,976
Miscellaneous	20,000	30,546	47,448	16,902
Total Receipts	1,220,000	1,410,301	1,550,179	139,878
DISBURSEMENTS				
Protection to Persons and Property	1,529,456	1,719,757	1,570,498	149,259
Debt Service	96,790	96,790	56,786	40,004
Total Disbursements	1,626,246	1,816,547	1,627,284	189,263
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(406,246)	(406,246)	(77,105)	329,141
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	406,246	406,246		(406,246)
Total Other Adjustments to Cash (Uses)	406,246	406,246		(406,246)
Net Change in Fund Balance			(77,105)	(77,105)
Fund Balance Beginning			96,969	96,969
Fund Balance - Ending	\$ 0	\$ 0	\$ 19,864	\$ 19,864

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

PARK FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 69,000	\$ 69,000	\$ 74,776	\$ 5,776
Miscellaneous	9,650	9,650	30,406	20,756
Total Receipts	78,650	78,650	105,182	26,532
DISBURSEMENTS				
Recreation and Culture	282,330	291,116	277,394	13,722
Debt Service	86,100	77,314	77,314	
Total Disbursements	368,430	368,430	354,708	13,722
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(289,780)	(289,780)	(249,526)	40,254
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	289,780	289,780	251,779	(38,001)
Total Other Adjustments to Cash (Uses)	289,780	289,780	251,779	(38,001)
Net Change in Fund Balance			2,253	2,253
Fund Balance Beginning			3,607	3,607
Fund Balance - Ending	\$ 0	\$ 0	\$ 5,860	\$ 5,860

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

CAPITAL OUTLAY FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 930,000	\$ 1,093,377	\$ 1,110,420	\$ 17,043
Interest	1,000	1,000	1,088	88
Total Receipts	931,000	1,094,377	1,111,508	17,131
DISBURSEMENTS				
General Government	5,000	5,000	186	4,814
Total Disbursements	5,000	5,000	186	4,814
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	926,000	1,089,377	1,111,322	21,945
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(1,574,271)	(1,737,648)	(1,254,264)	483,384
Total Other Adjustments to Cash (Uses)	(1,574,271)	(1,737,648)	(1,254,264)	483,384
Net Change in Fund Balance	(648,271)	(648,271)	(142,942)	505,329
Fund Balance Beginning	648,271	648,271	477,275	(170,996)
Fund Balance - Ending	\$ 0	\$ 0	\$ 334,333	\$ 334,333

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

COURTHOUSE REPAIR FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 38,000	\$ 38,000	\$ 45,910	\$ 7,910
Total Receipts	38,000	38,000	45,910	7,910
DISBURSEMENTS				
General Government	211,610	211,610	183,279	28,331
General Health and Sanitation	3,400	3,400	1,729	1,671
Total Disbursements	215,010	215,010	185,008	30,002
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(177,010)	(177,010)	(139,098)	37,912
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	177,010	177,010	137,873	(39,137)
Total Other Adjustments to Cash (Uses)	177,010	177,010	137,873	(39,137)
Net Change in Fund Balance			(1,225)	(1,225)
Fund Balance Beginning			9,745	9,745
Fund Balance - Ending	\$ 0	\$ 0	\$ 8,520	\$ 8,520

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

EMERGENCY 911 CELLULAR FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 125,210	\$ 148,353	\$ 148,353	\$
Total Receipts	125,210	148,353	148,353	
DISBURSEMENTS				
Protection to Persons and Property	125,210	148,353	125,735	22,618
Total Disbursements	125,210	148,353	125,735	22,618
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			22,618	22,618
Net Change in Fund Balance			22,618	22,618
Fund Balance Beginning			174,788	174,788
Fund Balance - Ending	\$ 0	\$ 0	\$ 197,406	\$ 197,406

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

EMERGENCY 911 LANDLINE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 77,000	\$ 77,000	\$ 102,748	\$ 25,748
Total Receipts	77,000	77,000	102,748	25,748
DISBURSEMENTS				
Protection to Persons and Property	152,500	152,500	141,265	11,235
Total Disbursements	152,500	152,500	141,265	11,235
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(75,500)	(75,500)	(38,517)	36,983
Net Change in Fund Balance	(75,500)	(75,500)	(38,517)	36,983
Fund Balance Beginning	75,500	75,500	225,439	149,939
Fund Balance - Ending	\$ 0	\$ 0	\$ 186,922	\$ 186,922

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

TOURISM FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 23,265	\$ 27,101	\$ 29,635	\$ 2,534
Total Receipts	23,265	27,101	29,635	2,534
DISBURSEMENTS				
Recreation and Culture	23,265	27,101	26,512	589
Total Disbursements	23,265	27,101	26,512	589
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			3,123	3,123
Net Change in Fund Balance			3,123	3,123
Fund Balance Beginning			88,641	88,641
Fund Balance - Ending	\$ 0	\$ 0	\$ 91,764	\$ 91,764

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

SWIMMING POOL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 40,000	\$ 40,000	\$ 65,025	\$ 25,025
Total Receipts	40,000	40,000	65,025	25,025
DISBURSEMENTS				
Debt Service	75,000	75,000		75,000
Total Disbursements	75,000	75,000		75,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(35,000)	(35,000)	65,025	100,025
Net Change in Fund Balance	(35,000)	(35,000)	65,025	100,025
Fund Balance Beginning	35,000	35,000	39,806	4,806
Fund Balance - Ending	\$ 0	\$ 0	\$ 104,831	\$ 104,831

ANDERSON COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2015

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

Note 2. Excess of Disbursements Over Appropriations

General Fund exceeded budgeted appropriations by a total of \$249,513 and the General Government line item exceeded budgeted appropriations by \$296,683. The LGEA Fund Other Transportation Facilities and Services line item exceeded budgeted appropriations by \$4,504.

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ANDERSON COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015

ANDERSON COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 1,088,151	\$	\$	\$ 1,088,151
Buildings	8,324,859	303,923		8,628,782
Vehicles and Equipment	1,952,391	73,238		2,025,629
Other Equipment	1,297,869	72,604		1,370,473
Infrastructure	5,424,561	638,815		6,063,376
 Total Capital Assets	 <u>\$ 18,087,831</u>	 <u>\$ 1,088,580</u>	 <u>\$ 0</u>	 <u>\$19,176,411</u>

ANDERSON COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2015

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 10,000	40
Buildings and Building Improvements	\$ 25,000	40
Machinery and Equipment	\$ 10,000	10
Vehicles	\$ 10,000	10
Infrastructure	\$ 20,000	10

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Orbrey Gritton, Anderson County Judge/Executive
Members of the Anderson County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards***

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Anderson County Fiscal Court for the fiscal year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Anderson County Fiscal Court's financial statement and have issued our report thereon dated February 09, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Anderson County Fiscal Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Anderson County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Anderson County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2015-001 and 2015-004 to be material weaknesses.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying comments and recommendations as items 2015-002, 2015-003, 2015-005, 2015-006 and 2015-007 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Anderson County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations as items 2015-004 and 2015-005.

County Judge/Executive's Responses to Findings

The Anderson County Judge/Executive's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The County Judge/Executive's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Mike Harmon', with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

February 09, 2016

**ANDERSON COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2015

ANDERSON COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2015

FINANCIAL STATEMENT FINDINGS:

2015-001 The Fiscal Court Does Not Have Adequate Segregation Of Duties Over Payroll

There is not sufficient segregation of duties over payroll. Although the Finance Officer receives the timecards, the Treasurer inputs the payroll information into the payroll software, prepares the reports, prepares payroll checks and direct deposit information, signs checks and prepares and disburses all required payroll deductions, taxes, and retirement payments. The checks are given to the Judge/Executive or designee to sign, but no comparison is being done to the payroll reports.

The lack of segregation of duties is due to insufficient cross-training and knowledge of the payroll system. Without proper segregation of duties over the payroll process, the risk of fraud or error increases. Segregation of duties over these tasks, or the implementation of compensating controls, is essential for providing protection against the misappropriation of assets and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the fiscal court strengthen internal controls by segregating these duties. If segregation of duties is not possible, strong oversight should be implemented. The employee providing this oversight should document his or her review by initialing source documents. The following compensating controls should be implemented:

- The Judge/Executive or designee should review the payroll report before checks are signed or information is sent to the bank and document the review by initialing the report.
- The Judge/Executive or designee should compare the disbursement checks for deductions, payroll taxes, and retirement to the reports before signing checks and document the review by initialing the reports.

County Judge/Executive's Response: Compensating controls do exist in regards to segregation of duties over payroll. However, ACFC has a unique arrangement that utilizes payroll professionals that are employees of the County Treasurer, rather than direct employees of ACFC. ACFC only has one Treasurer and one Finance Officer, necessitating some creative solutions to accomplish the age old problem of segregating duties with minimal accounting personnel.

Auditor's Reply: As stated in the comment, the recommended compensating controls could be implemented to increase review by Anderson County Fiscal Court personnel in order to verify work done by Treasurer.

ANDERSON COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2015
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-002 The Fiscal Court Does Not Have Adequate Segregation Of Duties Over Disbursements

The Treasurer prepares a master claims list, prepares and signs checks, posts to the appropriation ledger, and reconciles the bank statements.

During fiscal year 2015, the County Judge/Executive did not keep certain records and make certain reports or designate the finance officer to perform these duties as outlined by the Department for Local Government in the *County Budget Preparation and State Local Finance Officer Policy Manual*, as noted below:

1. Receive all county claims, and then prepare a master claims list to present to the fiscal court.
2. Prepare all checks on claims reviewed by the fiscal court.
3. Maintain an appropriation ledger.
4. Be responsible for the county's quarterly financial statement, pursuant to KRS 68.360.
5. Reconcile the appropriation ledger with the treasurer's appropriation ledger at least once a month.

These duties were all performed in the Treasurer's office rather than by the Finance Officer as required by DLG. When one person has complete control over financial activity in the county, the risk of fraud or error increases.

We recommend the Judge/Executive follow the requirements of the Department for Local Government or designate the finance officer to maintain the appropriate records and perform the duties as listed above. Duties should be adequately segregated to ensure that no one person has complete control over financial activity in the county.

County Judge/Executive's Response: Action has already been taken to strengthen and improve controls and segregation of duties over disbursements. Personnel changes have been made that should mitigate the situations found (missing invoices, presentation on bill list, and lack of a purchase order). The Treasurer and the Finance Officer work together to perform the duties outlined in the Budget Manual; so much so that the lines are sometimes blurred on paper when auditors are documenting the internal controls. However, we believe the objective of segregation of duties is satisfied to the degree that ACFC is able with such a small staff. We think all will agree that segregation of duties is difficult to achieve in a small organization. ACFC is also concerned about budget restrictions and takes its stewardship very seriously. ACFC does not want to hire personnel just to achieve segregation of duties; the cost to benefit simply does not justify this action.

ANDERSON COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2015
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-003 The County Does Not Have Sufficient Controls Over Credit Card Purchases

Several weaknesses were noted with the controls over credit card purchases. Based on this review, the following were noted:

- Desktop Computer, Laptop and Printer totaling \$980 for the AEMS, coded to “Computer Maintenance and Repair.”
- Printer for AEMS for \$400, coded to “Computer Maintenance and Repair.”
- GPS for AEMS for \$270, coded to “EM Program.”
- Radio and Modem for AEMS totaling \$385, coded to “Computer Maintenance and Repair.”
- Projector Screen for AEMS for \$143, coded to “Office Supplies.”
- Interest of \$25 was paid due to a purchase being left off of the check.
- Sales tax was paid on numerous occasions.
- Most purchase orders are filled out after the purchases have been made. They were used more as a method of documenting the coding for purchases, not as a purchase request system as required by the Department for Local Government.

Because purchases on credit cards do not follow the ordinary purchase order process and are not sufficiently documented and clearly coded, it is likely the members of the fiscal court are unaware of the nature and volume of items purchased with these cards.

Due to a lack of detailed review of receipts supporting credit card charges, the reasonableness and/or allowability of the disbursements cannot be determined. The fiscal court therefore cannot ensure purchases are valid and credit cards are not being abused. Sufficient review should be performed in order to ensure disbursements are necessary, adequately documented, reasonable, and beneficial to the business of the county.

Based on the weaknesses noted, we are recommending the following:

- Credit card purchases should follow the normal purchase order request system used for all other disbursements, which would allow for approval/denial of a purchase before it takes place.
- Purchases should be coded accurately to reflect the item purchased. General categories, such as “DES Program” should not be used for computers or other large purchases.
- The County should require all receipts be submitted to support the charges on the credit card bill. Any charges without supporting receipts will be the responsibility of the user to pay.
- The county should perform detailed reviews of credit card receipts and bill statements to ensure all purchases are necessary, reasonable, were properly requested and approved, sufficiently documented, and recorded.

In order to fully inform the fiscal court of the individual transactions making up the bill list total for each credit card, we are recommending the following:

- All receipts for credit card transactions should be attached to the statement and filed for preparation of the claims list.
- Once the statement is received and all receipts related to that statement are attached to the credit card statement, a detailed list of transactions should be included on the claims list presented to the fiscal court for approval.

ANDERSON COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2015
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-003 The County Does Not Have Sufficient Controls Over Credit Card Purchases (Continued)

County Judge/Executive's Response: Credit cards are only issued to Department Heads for use within the normal purchase order system. Extra effort has been devoted to improving ACFC control over credit card expenditures. Potential purchases must receive authorization to ensure there is sufficient line-item budget availability. All charge slip documentation and explanation of unusual transactions should be attached to the purchase ticket and the individual charges must be reconciled to the monthly credit card statement.

2015-004 The Fiscal Court Did Not Maintain A Complete And Accurate Capital Asset Listing

The county's capital asset listing did not include all purchases required to be capitalized per the county's capitalization policy. Due to oversight by the Treasurer, several purchases were left off of the additions list provided to the auditor; therefore, the capital assets schedule was not accurate. No review is being done to ensure the additions list is accurate and all-inclusive.

Not maintaining an accurate list of capital assets could cause capital assets to be uninsured or result in paying for insurance for an asset the county no longer owns. The Department for Local Government (DLG) requires counties to maintain capital asset records (see DLG County Budget Preparation and State Local Finance Officer Policy Manual pages 55-60), including, among other things, a description of the asset, historical cost, date of acquisition, and useful life of the asset.

We recommend a schedule of additions should be maintained as assets are purchased to simplify the process of updating the capital asset schedule. The schedule should include the date the asset is acquired, a description of the asset, the vendor name, and the amount. Furthermore, the capital asset listing should be monitored and maintained on a regular basis. As new assets are acquired they should be added to the listing. As equipment is retired or disposed of it should be removed from the listing.

We also recommend that the county implement policies that will identify and track additions, retirements, and disposed assets for the purpose of the capital asset schedule.

County Judge/Executive's Response: The capital asset listing for the fiscal year did not include the items financed and paid directly to vendors. This oversight was caught when the auditors added the new financing for the fiscal year. Auditors suggested that ACFC keep a folder with invoices of significant acquisitions. We agree that the separate folder idea is a good solution.

2015-005 County Funds Were Not Deposited Daily

Deposits were not prepared or deposited daily. During fiscal year 2015, there was one month with two deposits, five months with three deposits, three months with four deposits, two months with five deposits, and one month with six deposits. Deposits were not made daily due to time constraints of the Treasurer.

When funds are not properly deposited, this could result in loss of receipts or misplaced monies. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The minimum requirements for handling public funds as stated in the *County Budget Preparation and State Local Finance Officer Policy Manual* require that deposits be made daily and intact. Additionally, the practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset most subject to possible theft.

ANDERSON COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2015
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-005 County Funds Were Not Deposited Daily (Continued)

We recommend fiscal court deposit receipts daily as required by the State Local Finance Officer.

County Judge/Executive's Response: Significant amounts of cash are deposited into the bank checking accounts pronto; checks are restrictively endorsed and deposited less frequently. Even though DLG suggests daily deposits, the idea of safeguarding County assets is being accomplished without such a rigorous control. Since interest rates on bank checking accounts do not provide much incentive, our fiduciary responsibility is also being met.

Auditor's Reply: Daily deposits are not a "suggestion" from the Department for Local Government, but rather a requirement. Page 61 of the *County Budget Preparation and State Local Finance Officer Policy Manual* outlines the "Handling Public Funds Minimum Requirements Pursuant to KRS 68.210 For All Local Government Officials (and Employees)." The third bullet states, "Daily deposits intact into a federally insured banking institution. (KRS 68.210)"

2015-006 Duties Are Not Adequately Segregated Over Receipts And Reconciliations

During fiscal year 2015, the county treasurer prepared and deposited receipts, posted receipts and disbursements to the accounting system, maintained the purchase order listing, prepared checks for disbursement, prepared monthly reports for fiscal court and quarterly reports for the Department for Local Government, made cash transfers between funds and bank accounts, and performed bank reconciliations for all bank accounts. While some compensating controls are in place, including the preparation of a receipts log by the Finance Officer and the review of prepared checks by the county judge/executive or his designee, they are not sufficient.

Because duties were not adequately segregated, posting errors were made in both receipts and disbursements. We have prepared a schedule of proposed audit adjustments for review. Lack of adequate segregation of duties and too much control by one individual could result in the undetected misappropriation of assets and/or inaccurate financial reporting. A sufficient internal control structure requires adequate segregation of duties. Without proper segregation, the county cannot ensure all receipts are deposited and all bank activity is appropriately documented in the accounting system.

We recommend the county segregate incompatible duties or implement strong compensating controls to mitigate the risk identified above. In conjunction with the lack of adequate segregation of duties in the disbursement process, as documented in finding 2015-002, the county should determine which duties should be performed by the judge/executive or the finance officer that will address these weaknesses.

County Judge/Executive's Response: Adequate segregation of duties over reconciliations requires a higher level of skills, knowledge, and experience than ACFC has available except for the Treasurer. A portion of ACFC's self-error trapping procedures is accomplished through reconciliations. ACFC will reassign reconciliations as sufficiently trained personnel become available.

ANDERSON COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2015
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-007 Receipts And Disbursements Were Not Posted Correctly

The following posting errors and misclassifications were noted during our review:

- Receipt of \$47,450 from KACO was posted to a debt service account as a negative receipt, offsetting disbursements.
- Disbursements of \$72,920 for the County Clerk's Building were posted to the debt service line item for this building. Because there was not an appropriate line item to reclassify disbursements on the fourth quarter report, the auditor could not make an adjustment for this misclassification.
- Receipt of \$6,325 from the state was posted as a negative receipt, offsetting salaries.

Audits as far back as 2011 have addressed posting errors, including posting negative receipts to offset disbursements, but this practice has continued.

Posting errors as noted above were due to deficiencies in the internal control structure. Good internal controls over the processing and review of financial reporting could eliminate such errors. Amounts reported in the county's quarterly report submitted to the Department for Local Government were inaccurate due to misclassifications and posting errors. When receipts are posted as negative disbursements, both receipts and disbursements are understated.

We recommend the fiscal court ensure receipts and disbursements are posted to the correct account and negative receipts are not posted to offset disbursements. If someone other than the Treasurer posts the information into the accounting records, the Treasurer should check the posting for accuracy.

County Judge/Executive's Response: ACFC will utilize the all inclusive method of accounting rather than netting the borrowed funds against disbursements.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

ANDERSON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2015**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
ANDERSON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

The Anderson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer

